

Message Text

UNCLASSIFIED

PAGE 01 LA PAZ 02576 01 OF 02 241930Z

70

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01

SWF-02 OIC-04 OPIC-12 SIL-01 FTC-01 DRC-01 /189 W

----- 050383

R 241535Z APR 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 2908

UNCLAS SECTION 1 OF 2 LA PAZ 2576

E.O. 11652: N/A

TAGS: EIND, EFIN

SUBJECT: FOREIGN INVESTMENT CLIMATE AND DATA

REF: STATE 53993

SUMMARY: THUS MESSAGE UPDATES FOREIGN INVESTMENT CLIMATE
NARRATIVE FOR ANNUAL COMPENDIUM. END SUMMARY.

1. TEXT REQUESTED LONGER THAN SPECIFIED PARA 7 REFTEL BUT
WE FEEL IS CLOSE TO MINIMUM POSSIBLE GIVEN POINTS REFTEL PARA 4
SUGGESTS BE COVERED AND BOLIVIA'S INTERESTING FOREIGN INVEST-
MENT HISTORY. IF DEPARTMENT WISHES ADHERE TO MAXIMUM LENGTH
SPECIFIED PARA 7 REFTEL, WE HAVE NO OBJECTION TO DEPARTMENT
ELIMINATING PORTIONS TEXT IT BELIEVES LEAST IMPORTANT TO BUSINESS-
MEN.

2. TEXT FOLLOWS. INVESTMENT CLIMATE.- THE GOVERNMENT'S
ATTITUDE TOWARD NEW FOREIGN DIRECT INVESTMENT IS GENERALLY
ENCOURAGING. ITS ATTITUDE TOWARDS OLD DIRECT INVESTMENT HAS
FREQUENTLY BEEN ADVERSE. THE GOVERNMENT DID NOT REVERSE
NATIONALIZATIONS OF BOLIVIAN GULF OIL COMPANY, MINA MATILDE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LA PAZ 02576 01 OF 02 241930Z

CORPORATION (UNITED STATES STEEL AND PHILLIP BROS.) AND IN-

TERNATIONAL MINERAL PROCESSING COMPANY. IT DID NOTHING TO DISCOURAGE W.R. GRACE FROM DISINVESTING. THE GOVERNMENT'S ATTITUDE TOWARD THE PRIVATE SECTOR AS A WHOLE HAS BEEN RELATIVELY FAVORABLE IN THE CONTEXT OF RECENT BOLIVIAN HISTORY. THE GOVERNMENT, NEVERTHELESS, CLEARLY FAVORS LIMITING CONTROL OF CERTAIN INDUSTRIES TO THE PUBLIC SECTOR, AND IMPORTANT ELEMENTS OF THE PRIVATE SECTOR BELIEVE THE GOVERNMENT HAS A DISTINCT STATIST TENDENCY AS MOST RECENTLY INDICATED BY ITS SUPPORT FOR THE ENTRY OF THE ARMED FORCES (IN THE FORM OF THE ARMED FORCES NATIONAL DEVELOPMENT CORPORATION) INTO INDUSTRY, MINING, AND AGRICULTURE.

LAW NO. 10521 OF OCTOBER 3, 1972, RESERVES CONTROL OF BOLIVIA'S PROSPECTIVE IRON AND STEEL INDUSTRY TO THE PUBLIC SECTOR.

LAW NO. 7150 OF MAY 7, 1965, RESERVES TO COMIBOL MINERAL RIGHTS ON ANY LAND WITHIN 5 KILOMETERS OF EXISTING COMIBOL CONCESSIONS. GOVERNMENT POLICY ALSO APPEARS TO BE AIMED AT KEEPING ALL NEW MINERAL SMELTING CAPACITY UNDER PUBLIC SECTOR CONTROL. ON THE OTHER HAND, THE INVESTMENT LAW OF DECEMBER 1971 MAKES CLEAR THAT PRIVATE FOREIGN INVESTORS ARE TO BE TREATED THE SAME AS DOMESTIC INVESTORS. THE LAW GRANTS CONSIDERABLE TAX AND OTHER CONCESSIONS TO NEW INVESTMENTS AND GUARANTEES, INTER ALIA, REPATRIATION OF CAPITAL AND PROFITS. THE 1972 HYDROCARBONS LAW HAS ATTRACTED SEVEN FOREIGN OIL COMPANIES OR GROUPS AND MORE ARE EXPECTED TO SIGN CONTRACTS SOON.

THE GOVERNMENT RECENTLY INVITED FOREIGN FIRMS TO TAKE UP TO 50,000 HECTARES EACH OF ALTO BENI LAND TO PUT INTO CACAO PRODUCTION.

THE ONLY KNOWN LEGAL BARRIERS TO DIRECT FOREIGN INVESTMENT ARE: (1) UNDER THE HYDROCARBONS LAW, INVESTMENTS ARE LIMITED TO THOSE PERMITTED UNDER SERVICE AND OPERATIONS CONTRACTS; (2) FOREIGNERS MAY NOT REPEAT NOT OWN PROPERTY WITHIN 50 KILOMETERS OF BOLIVIA'S BORDERS; AND (3) THE PROVISIONS OF THE ANDEAN FOREIGN INVESTMENT CODE, THE FULL EFFECTS OF WHICH BOLIVIANS ARE QUICK TO POINT OUT, WILL NOT APPLY FOR SOME TWENTY YEARS. BUSINESSMEN PROBABLY SHOULD ASSUME THAT MOST OF THE PACT'S TARIFF, OWNERSHIP AND OTHER RESTRICTIONS, AS WELL AS BENEFITS, WILL EVENTUALLY BE APPLIED IN BOLIVIA, ALTHOUGH THE GOVERNMENT HAS NOT YET ISSUED IMPLEMENTING REGULATIONS TO DECISION 24 ON FOREIGN INVESTMENT. THE ONLY RULES ON LOCAL PROCUREMENT (ORIGIN OF INPUTS) ARE LIKELY TO BE THOSE WORKED OUT BY THE PACT. IN ADDITION TO UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LA PAZ 02576 01 OF 02 241930Z

EXPORT GOALS FOR FOREIGN INVESTORS ESTABLISHED BY THE PACT, THE INVESTMENT LAW DOES PROVIDE THAT THE SCALE OF BENEFITS AN INVESTMENT WILL RECEIVE WILL BE DETERMINED IN PART BY THE POTENTIAL FOREIGN EXCHANGE EARNINGS OR SAVINGS OF THE PROJECT. THE GOVERNMENT ENGAGES IN WEAKLY ENFORCED PRICE FIXING ON ITEMS IMPORTANT TO THE "POPULAR ECONOMY". THIS USUALLY MEANS BASIC FOOD PRICES (FLOUR, LARD, VEGETABLE OIL, RICE, COFFEE, SUGAR, ETC.; GASOLINE, AUTO PARTS, TIRES, ETC.

NATIONALIZATIONS BEGAN IN BOLIVIA IN 1936, RESUMED IN THE EARLY 1950'S AND AGAIN IN THE LATE 60'S AND EARLY 70'S. THE BANZER GOVERNMENT, WHICH WILL HAVE BEEN IN POWER TWO YEARS AND TEN MONTHS IN JUNE, 1974, HAS SETTLED ALL CLEAR CASES OF NATIONALIZATION WITH DESPATCH AND GOOD WILL. THE EMBASSY BELIEVES, HOWEVER, THAT THE VAGARIES OF BOLIVIAN POLITICS ARE SUCH THAT RENEWED OFFICIAL RESPECTABILITY FOR NATIONALIZATION IS NOT UNTHINKABLE. PARTICULARLY IF THERE WERE TO BE A CHANGE IN GOVERNMENT.
STEDMAN

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LA PAZ 02576 02 OF 02 241916Z

70

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01

SWF-02 OIC-04 OPIC-12 SIL-01 FTC-01 DRC-01 /189 W

----- 050114

R 241535Z APR 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 2911

UNCLAS FINAL SECTION OF 2 LA PAZ 2576/2

THE INSTITUTO NACIONAL DE INVERSIONES (INI), THE AGENCY WHICH ADMINISTERS THE INVESTMENT LAW, CONFIRMED THAT THERE IS NO REQUIREMENT THAT AN INVESTOR SUBJECT HIMSELF TO THE INVESTMENT LAW, ALTHOUGH IT IS CLEARLY IN HIS INTEREST TO DO SO, NOR MUST AN INVESTOR SEEK OR OBTAIN APPROVAL OF HIS PLANS FROM THE NATIONAL PLANNING AND ECONOMIC COUNCIL OR THE CABINET. YET EVERY FOREIGN INVESTMENT OF SIGNIFICANT SIZE (SAY US\$ 1 MILLION OR MORE) HAS BEEN APPROVED BY CABINET DECREE.
WE BELIEVE THAT A POTENTIAL U.S. INVESTOR WOULD BE WELL ADVISED TO SHAPE HIS INVESTMENT CAREFULLY THROUGH SUCH DEVICES AS SERVICE AND/OR OPERATIONS CONTRACTS, MIXED CORPORATIONS WITH PRIVATE BOLIVIANS AND/OR BOLIVIAN GOVERNMENT ENTITIES, NATIONALS OF OTHER ANDEAN PACT COUNTRIES OR WITH THE CORPORACION ANDINA

DE FOMENTO, ETC. OPIC INSURANCE IS AVAILABLE BUT BECAUSE OF BOLIVIA'S ADHERENCE TO THE ANDEAN PACT'S INVESTMENT CODE THOSE COMPANIES WISHING TO EXPORT TO THE FIVE OTHER ANDEAN COUNTRIES AND TO BENEFIT FROM THE WIDER MARKET OF THE PACT PROBABLY WILL NOT RECEIVE OPIC INSURANCE. THERE IS A MOST FAVORED NATIONAL TREATY, BUT NO DOUBLE TAXATION TREATY. THERE HAVE BEEN NO SIGNIFICANT PROBLEMS FROM EXTRATERRITORIAL APPLICATION OF U.S. OR BOLIVIAN LAWS OR FROM THE APPLICATION OF PATENT, ROYALTY, TECHNOLOGY LAWS, ETC. LOCAL CURRENCY IS FREELY CONVERTIBLE."

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LA PAZ 02576 02 OF 02 241916Z

END TEXT.

3. IF U.S. DIRECT INVESTMENT (BOOK VALUE) NOT AVAILABLE FROM USDOC AND OPIC WE WILL TRY DEVELOP WORTHWHILE ESTIMATES.

4. NO DATA IS AVAILABLE ON DIRECT INVESTMENT IN BOLIVIA BY THIRD COUNTRIES. WE ESTIMATE TOTAL AT ABOUT US\$ 10 MILLION, PRINCIPALLY IN JAPANESE OWNED NITTO MINING.

4. DIRECT INVESTMENT IN U.S. BY BOLIVIANS NEGLIGIBLE.

6. PLEASE SEND COPY OF PUBLISHED COMPENDIUM.
STEDMAN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMERCE & INDUSTRY, FOREIGN INVESTMENTS, INVESTMENT OPPORTUNITY REPORTS, INVESTMENT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 24 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LAPAZ02576
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740096-0872
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740418/aaaaaput.tel
Line Count: 197
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 53993
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2002 by BryanSD>; APPROVED <02 JAN 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE AND DATA
TAGS: EIND, EFIN, BL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005